LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6987 **NOTE PREPARED:** Jan 13, 2008
BILL NUMBER: HB 1287 **BILL AMENDED:**

SUBJECT: Home Health Agency Expenditures.

FIRST AUTHOR: Rep. Orentlicher **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL **IMPACT:** State
DEDICATED
X FEDERAL

Summary of Legislation: This bill requires a home health agency to spend on direct service costs for its employees at least 73% of the money received from the Office of the Secretary of Family and Social Services (FSSA) as reimbursement for the provision of home health services to patients.

The bill requires the home health agency to file an annual cost report and an annual audit with FSSA. It also specifies actions FSSA can take if the home health agency does not comply with these provisions.

Effective Date: July 1, 2008.

Explanation of State Expenditures: *Summary:* The cost of the FSSA oversight of home health agency expenditures will depend on (1) administrative actions taken by FSSA to select an agency or organization to perform the required activities, (2) the financial information required to be reported, (3) the associated information required to be included in the report, (4) the amount of preparation and analysis required to determine compliance, and (5) the activity associated with monitoring compliance. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

Background and Additional Details: The bill would require all home health agencies, whether they participate in Medicaid or the Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) Program or not, to annually submit audit and cost reports to the Family and Social Services Administration. The audit reports and the cost reports are to include specified financial data. Home health agencies may be required to contract for additional audits of the cost report if FSSA has evidence the information is inaccurate, if a member of the General Assembly requests an audit, or if an employee or labor representative has evidence of a violation of the requirements of the bill.

The bill is not clear with regard to the financial information required. It requires that 73% of reimbursement received from FSSA for home health services must be expended on direct service costs. The bill does not specify if the direct service costs are only those applicable to the FSSA reimbursement. The payer mix of the home health agency patient base (the percentages of private pay, insurance, Medicare, and Medicaid) would influence the results of the calculation. It also appears that only FSSA reimbursement related to direct services would be used; reimbursement for supplies or other expenditures would not apply to the calculation.

FSSA would be required to (1) define what information is required to make the determination that 73% of the reimbursement paid by FSSA to the home health agency is being used to pay for direct services employees' wages, salaries and benefits; (2) develop forms; (3) promulgate rules; and (4) implement the program. FSSA would need to receive submissions of the required audits and cost reports. The reports would need to be analyzed to determine if the requirement is being met. If a determination is made that a home health agency has violated the requirements of the bill, FSSA is required to notify the agency that a corrective action plan must be filed with FSSA within two weeks of the notification. After an adequate corrective action plan is filed with FSSA, the home health agency must be monitored for 6 months in order to ensure compliance with the corrective action plan.

If a home health agency does not file an adequate corrective action plan or does not comply with the terms of the corrective action plan, FSSA may terminate the home health agency as a provider of services for state-operated programs; prohibit the assignment of new Medicaid or CHOICE patients to the home health agency; or assess a civil penalty. The bill requires FSSA to notify affected parties in writing of disciplinary steps to be taken. If any Medicaid patients or CHOICE patients would be affected by disciplinary actions, FSSA would be required to help them locate new service providers. The cost of disciplinary actions would depend upon individual circumstances and administrative actions.

Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

According to the State Department of Health directory, there are 270 licensed home health agencies in the state. The directory indicates that 206 accept Medicaid, or about 76%. The number that accept CHOICE reimbursement is not known.

Explanation of State Revenues: The bill provides that the Secretary may assess a civil penalty of $1,000 or if greater, 10% of the difference between the direct service cost the provider should have paid in compliance with the bill and the direct service actually paid. All civil penalties imposed and collected are deposited in the state General Fund. The level of civil penalties that might be assessed would depend on administrative actions and individual circumstances.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration.

Local Agencies Affected:

Information Sources: ISDH Provider Directory at: http://www.in.gov/isdh/regsvcs/acc/hhadir/wdirhha.htm

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